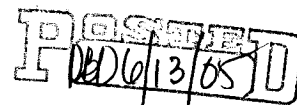
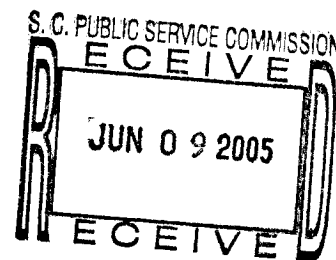




174391



June 6, 2005



Mr. Charles Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
P. O. Drawer 11649
Columbia, SC 29211

RE: Docket No. 2005-1-E

Dear Mr. Terreni:

As part of the Federal Energy Regulatory Commission's ("FERC") audit of Progress Energy's compliance with the FERC's Standards of Conduct and Code of Conduct, the FERC found that Progress Energy Carolinas, Inc. ("PEC") and Progress Energy Florida, Inc. ("PEF") must return to their retail customers a total of \$100,000 which reflects the FERC's determination of the incremental value of certain brokering services provided by the utilities' wholesale marketers to Progress Energy's merchant business. Consistent with the procedure used by PEC to credit its South Carolina retail customers with its allocated portion of the \$5.4M credit Progress Energy agreed to flow through to its retail customers as part of the FERC audit settlement, PEC has credited South Carolina's allocated share of the \$100,000, i.e., \$9,000, against PEC's under-recovered fuel cost.¹

Sincerely,

Len S. Anthony
Deputy General Counsel-Regulatory Affairs

LSA:mhm

cc: Garrett Stone
Scott Elliott
Wendy Cartledge (ORS)
Bruce Barkley

224959

¹ The allocation of the \$100,000 is based upon PEC's and PEF's megawatt hour sales.